

JUN 14 2006

SENT TO COUNCIL:

by City Manager's Office



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: AFFIRMED HOUSING'S
SAN ANTONIO COURT PROJECT

DATE: June 14, 2006

Approved

Date

6/14/06

COUNCIL DISTRICT: 5
SNI AREA: Gateway East

INFORMATION

On the June 20, 2006, City Council agenda is a proposal to rezone property at 305 San Antonio Court (file no. PDC05-104) to allow an 86-unit affordable housing project. As set forth below, any reduction in the number of allowed units from the 86-unit proposal would increase the per-unit cost and render the project ineligible for the City funding that is crucial for its financing. Since the zoning requested is for an **affordable** housing project, it is important that the City Council understand this fact.

ANALYSIS

Affirmed Housing Group, based in Escondido, California, is in the process of developing an affordable housing project called "The Fairways" located at 305 San Antonio Court. As proposed by Affirmed, the project would provide 86 units of family rental housing, 51 of which would be targeted to residents at or below 30% of Area Median Income (AMI), with the remainder targeted to residents at 50% and 60% AMI.

The project applied for zoning approval (file PDC05-104) under the affordable housing exemption to accommodate 86 units on 2.19 acres. Planning staff recommended support for 86 units when the Planning Commission considered the proposed project at a public hearing on May 24, 2006. The Commission voted against the staff recommendation and reduced the number of units to 50 based upon public concerns regarding the need for traffic mitigation. On June 20, 2006, the City Council is scheduled to vote on the project's zoning.

Because this is a restricted affordable housing project, it requires below-market financing in order to offer rents low enough for its target population. In July 2005, Affirmed Housing submitted a draft application to the Housing Department for our review and advice on their 86-unit project. The Department's feedback included the need for Affirmed to try to reduce project costs in order to make the project financially feasible. On May 5th, 2006, Affirmed Housing formally applied to the Housing Department under its November 11, 2005 Notice of Funding Availability for a loan commitment of \$7,488,627 to fund an 86-unit project.

HONORABLE MAYOR AND CITY COUNCIL

June 14, 2006

Subject: Affirmed Housing's San Antonio Court Project

Page 2

The 86-unit project as submitted does not now meet the City's scoring threshold of 70 points because the per-unit subsidy of more than \$89,000 is too high to merit any points. The Department would consider a revised proposal and will work with Affirmed to bring the subsidy per unit request down. However, we anticipate that reducing the number of units below the 86-unit proposal would further damage the project's financial feasibility, and make it impossible to qualify for City funds.

Currently, the Department is continuing its due diligence on Affirmed's funding application. We will continue to work with the project sponsor to make the project eligible for City funding under the competitive scoring system.

COORDINATION

Preparation of this report was coordinated with the Department of Planning, Building and Code Enforcement.


LESLYE KRUTKO
Director of Housing